RV BUSINESS

TLE1 20814 069100 STA
*C 9007 958 BVR
JEANNE LONG **
ACQ EDITOR **
CONGRESSIONAL INFORMATION SV
4420 EAST WEST HWY 800
BETHESDA MD 20814
C8950-2

JANUARY 8, 1990

Mood Upbeat, Sales Good at Louisville Show

In the fall of 1989, amid slow RV shipments and rampant talk of recession, many in the RV industry expressed some serious qualms about what to expect at the 27th Annual National RV Trade Show in Louisville, Ky. So, it seems to have come as a surprise to many that 1989's RVIA-sponsored Louisville Show was, in almost every way, a success.

Many attendees apparently left 1989's Nov. 28-Dec. 1 show—the largest annual U.S. RV-trade exhibition—with more positive outlooks for 1990. "We had a hard time anticipating what to expect at the show," said Perry Yoder, director of sales and marketing for Carriage Inc., Millersburg, Ind., expressing the general sentiment prior to the Louisville event. "But, when dealers started coming in, and their attitudes were pretty upbeat—and considering the new dealers we signed up and the business that we wrote—we came out pretty happy with the show."

Attendance at the 1989 Louisville Show, which included 102 RV manufacturer and 234 supplier exhibitors occupying a total of 504,694 square feet, was up to par, according to RVIA officials. The total gate count of 9,334 was very close to the previous year's 9,242. And 1989's total dealer attendance of 4,500 (including parts and accessory distributors) was almost identical with 1988's 4,571 tally.

Dealer attitudes, an important but subjective indicator, were also positive, according to dealers and exhibitors interviewed. RV dealers now seem to be cautiously looking forward to "steady" and "decent" 1990 sales. RV dealers were also ordering at a fairly robust clip at

continued on page 7

SHOW TIME: For details on the Florida RV SuperShow in Tampa, Fla., and the Coast Connection 1990 Dealer Advantage Trade Show in Las Vegas, Nev., see pages 33 and 38.

7 Fleetwood Details Acquisition of Coleman Trailers

7 Winnebago Gets New President, Drops Council

9 Country Coach Picks President

9 SeaLand, Thetford Agree on Calif. Regulation

9 Truck-Cap Group Plans First Show

10 Consumer Care Group Adopts Policy Wording

10 New Chassis Use Chrysler Components

11 Converters See Truck Upfits As Growth Area

12 Rocky Ridge Starts Class B Production

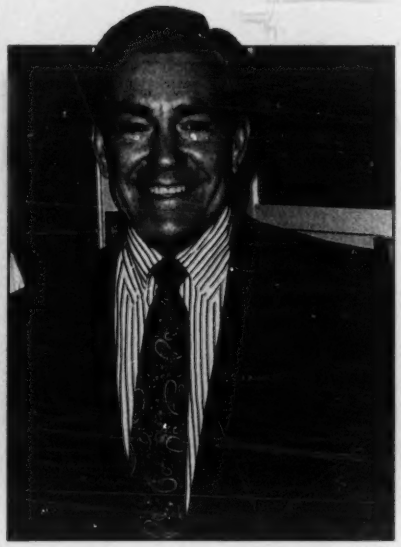
13 Mallard's New CEO Outlines Plans for Firm

13 Ariz., Wash. Appeal on RV Electric Code

RV BUSINESS

VOLUME 40, NUMBER 19 | JANUARY 8, 1989 | TWO DOLLARS

15



42

COVER PHOTOS: COURTESY OF LAS VEGAS NEWS BUREAU AND THE FLORIDA RV TRADE ASSOCIATION

NEWS AND TRENDS

Industry News ____ 7
RV People ____ 15

FEATURES

1990 Industry Forecast ____ 19
RV makers, economists and Wall Street analysts seem to agree that, after traveling a bumpy road in 1989, the RV industry will be making smoother progress as it enters the new decade.

Quarterly Forecast ____ 20
Manufacturers Look Ahead ____ 22
Fleetwood Examines the Future ____ 22
Wall Street's Reading ____ 29

Florida RV SuperShow ____ 33
Floorplans, exhibitor lists and an outline of special events highlight the excitement to expect at the Florida RV Trade Association's 1990 Florida RV SuperShow in Tampa, Fla.

Coast Connection Show ____ 38
Our guide to the second annual Coast Connection Dealer Advantage Trade Show in Las Vegas, Nev., includes a complete exhibitor list and a calendar of events.

DEPARTMENTS

Legal ____ 40
Dealer Concept ____ 42
Calendar ____ 44
In Brief ____ 46
Profitmakers ____ 48
Index to Advertisers ____ 50
Classified Advertising ____ 52
New Literature ____ 53
Commentary ____ 54

RV Business (ISSN 0744-9569, USPS 920-340) is copyrighted 1990 by TL Enterprises Inc. in the United States, Canada, Great Britain and other countries. All rights reserved. Permission to reprint or quote excerpts granted only upon written request. Second-class/controlled postage paid at Agoura, Calif. 91301, and additional entry points. POSTMASTER: Send address changes to *RV Business*, PO Box 17126, North Hollywood, Calif. 91615-7126. Record all changes of address in writing with the Circulation Department at least 50 days before date of issue in which they are to take effect. Address all correspondence and editorial material to the Agoura, Calif., office. *RV Business* is published semimonthly; an annual industry directory is published as the second February issue. Subscription rates: U.S. and Canada, $48 a year; $96 for two years. Foreign subs, $96 per year. Single copies are $2 for regular issues and $9.95 for the directory. Advertising rates are provided on request. *RV Business* is published by TL Enterprises Inc., which also publishes the *RVB Annual RV Industry Directory, Trailer Life, MotorHome, Rider, Trailer Life's Annual RV Buyer's Guide, Trailer Life's Campground & RV Services Directory* and *Highways* for the Good Sam Club. TLE's Book Division currently has 10 books in print.

1990 FORECAST

MORTON J. MARCUS

Figure 1

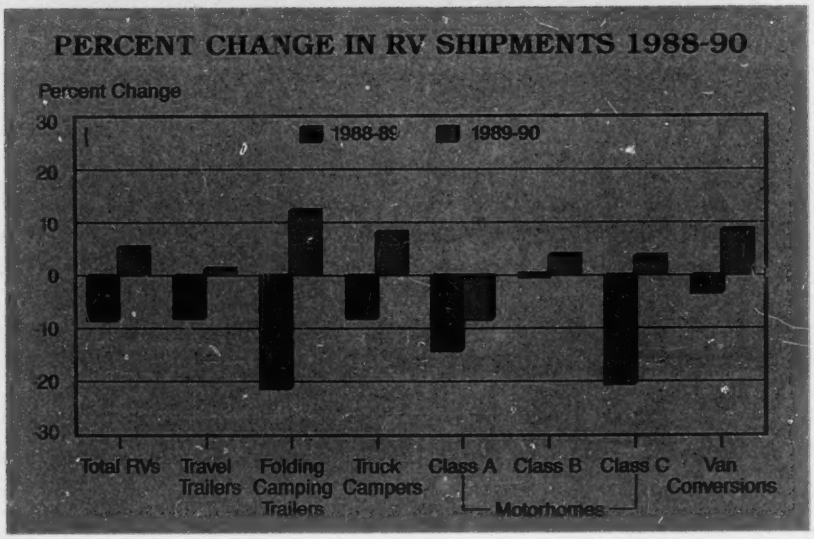


Figure 2

Three months ago in this space, we suggested: "The industry slump of early 1989 should be over." At that time, we forecast that the bottom in the current cycle of RV shipments had been reached in the second quarter of 1989, and that we would see improvement as the year progressed.

Nothing we have seen in the third quarter has altered that view.

Comparing Forecast and Reality

Total shipments in the third quarter of 1989 did increase by 2,100 units from the low point of 95,500 units reached in the second quarter of 1989. *(See Figure 1.)* However, total shipments, three months ago, were forecast to rise to 98,200 in the third quarter. Apparently our optimism was a bit excessive; shipments came in 600 units below what we had forecast, only a 0.6% error.

Third-quarter van conversion shipments came in 400 units below our earlier forecast (an 0.8% miss). And we failed to anticipate the 3.6% growth of towables, as these units rose by 1,200 units more than our expectations, reaching 33,400.

But our widest margin of error occurred in the motorhome segment, where our previous forecast overshot by 1,400 units, or 9.8%. Virtually all of that error was in the prediction for Class C units.

Indeed, except for Class C's, our forecast called the direction of change correctly in each of the seven types of units for which we made third-quarter forecasts.

Now, what does the Indiana University Quarterly RV Forecast have to say about the industry in 1990?

Slow, Steady Growth in '90

Each quarter to the end of 1990 is expected to be an improvement over the preceding quarter for the RV industry. The full year of 1990 should come in above 400,000 units once again, about 20,000 units, or more than 5%, above the level for 1989.

We still expect 1989 to close out below 400,000 total units, a decrease of 36,000 units (or a drop of 8.5%) from 1988. However, as can be seen from Figure 1, the annual data mask the good news somewhat: The change from the last quarter of 1989 to the end of 1990 should give the industry an increase of nearly 8%, a most healthy growth rate.

Thus, by the last quarter of 1990, total shipments should be running at an annual rate of just under 425,000 units.

The Detailed Outlook

All segments of the RV industry will finish 1989 below the shipment levels of 1988. *(See Figure 2.)* Even Class B motorhome shipments, which in our last forecast we expected to stand alone among RV types with a small positive gain, now are forecast to be flat for the year.

By contrast, 1990 is a year of recovery in virtually every market segment.

Towables as a group are expected to advance in 1990 by 5,500 units, or 4.1%, beyond the 132,600-unit mark we anticipate as the total for 1989. (It should be recognized that, at this writing, fourth-quarter 1989 data are not available.)

After a year in which folding camping trailers are likely to have fallen behind by 9,000 units, or a significant 21% decline, 1990 offers an expected increase of 3,700

GRAPHICS: CUSTOM COLOR VISUALS

ANNUAL TRENDS

	1988 Revised	1989 Forecast	1990 Forecast
Unit Auto Sales (millions)	10.6	10.0	8.7
Unit Housing Starts (millions)	1.5	1.4	1.3
Federal Budget Deficit (billion $)	145.9	153.1	173.9
% Change in Compensation per Manhours	5.0	5.7	5.4
Productivity	1.5	0.4	0.5
Unit Labor Costs	3.5	5.3	4.9

(Compensation – Productivity = Unit Labor Costs)

Figure 3

KEY FACTORS IN THE FORECAST

	1988 Revised	1989 Forecast	1990 Forecast
Prime Interest Rate (%)	9.3	10.9	10.0
Value of the Dollar (1973=100)	92.8	98.8	96.0
Unemployment Rate (%)	5.4	5.2	5.6
% Change at Annual Rates:			
Money Supply (M2)*	5.1	3.8	7.7
Real Disposable Personal Income	4.4	3.9	1.1
Consumer Price Index	4.1	4.9	5.2
Food & Beverages	4.1	5.7	4.8
Motor-Fuel Prices	0.8	10.8	5.0

*M2 consists of the nation's basic money supply of currency, plus demand deposits, plus savings accounts at commercial banks.

Figure 4

units, or a 12% rebound. This will bring the fold-down segment back to within 13% of its 1988 level.

Similarly, travel trailers will recover in 1990 to within 7% of their 1988 level during the next 12 months, and truck campers should be almost at their 1988 level by the end of 1990.

Motorhomes are a different story – at least on the surface.

In total, shipments for the motorhome group are expected to decline by 2,100 units, or 3.4%, in 1990 compared with 1989. But an examination of Figure 2 shows that all of this anticipated shortfall in shipments can be traced to a decline in Class A motorhome shipments.

In 1989, Class A shipments are expected to have dropped by 5,900 units from 1988; in 1990, they are forecast to again lose about half that volume (3,000 units). The small gains predicted for Class B van campers and Class C minimotorhomes will not offset the Class A deficit.

However, it should be noted that the rate of decline in 1990 has clearly slowed for Class A units. Further, our detailed forecast indicates that, in terms of quarterly volume, the Class A segment can look forward to a very stable year in 1990.

In contrast to Class A's, van conversions in 1990 will resume their march toward an

ANNUAL GROWTH RATES AFTER ADJUSTMENT FOR INFLATION

	1988 Revised	1989 Forecast	1990 Forecast
Gross National Product	4.4	2.8	1.6
Consumer Spending	3.4	2.8	2.1
Business Investment	8.4	3.9	4.4
Residential Investment	– 0.3	– 2.7	–4.4
Exports	17.6	10.5	6.3
Imports	6.8	7.3	6.8
Govt. Purchases			
Federal	– 3.2	2.8	–1.2
State & Local	3.2	2.6	1.4

Figure 5

increased role in the RV market. This forecast is identical with that provided three months ago: Van conversion shipments should achieve 216,000 units in 1990. After a fall of 7,400 units (3.6%) in 1989, van conversions are expected to advance by 16,600 units (8.3%) in 1990.

Hence, conversions will emerge next year in a stronger market position. Whereas, in 1988, van conversions equaled just under 45% of the RV market, they will have a 52% share by the end of 1990.

The National Outlook

The national economic slowdown is expected to continue through the winter of 1989-90. Our current forecast indicates that the slowest periods of growth are likely to be experienced in the last quarter of 1989 and the first quarter of 1990. Thereafter, the pace of economic activity improves but does not promise to be more than warm. There are no red-hot days in this forecast.

For 1990, real gross national product (GNP), the value of goods and services produced in our economy after adjustment for inflation, will rise by just 1.6%, after a 2.8% growth rate in 1989 and 4.4% growth in 1988. *(See Figure 5.)*

Befitting such slow growth, consumer spending will slow to a 2.1% increase in 1990. In fact, with its projected 4.4% increase, business investment will look like a leading growth sector. This gain, however, is likely to be offset by a 4.4% decline in residential investment.

There also is little stimulus expected from either exports or government spending in 1990. The political miracles of Eastern Europe are unlikely to be translated into sales by American firms this year. These economies have massive internal problems to resolve before they can become active in international markets. Federal spending is likely to decline – a rarity. And, except for the repairs required after 1989's hurricanes and earthquakes, state and local governments are not expanding their purchases of goods and services.

A key factor in the RV forecast is the path of interest rates. As seen in Figure 4, we do not foresee extensive relief from the high rates of 1989 in the year ahead. Interest rates have declined already from their peaks in '89, but much additional improvement (from the viewpoint of borrowers) is not expected. In fact, we predict that the present round of interest-rate declines will be terminated by the summer of 1990 and that rates will then increase moderately.

Most of that interest-rate forecast is based on assumptions that we necessarily must make about the behavior of the Federal Reserve System. This agency is unlikely to support lower interest rates unless there are significant increases in unemployment and a major slowdown in national economic growth. Neither of those events are expected in 1990. With no recession in sight, so that unemployment is unlikely to advance to 6%, there will be little incentive for the Fed to ease monetary policy by increasing growth of the money supply.

Prices are not expected to take off, although there will be a residual amount of inflationary pressure in the economy. Consumer prices are forecast to rise by 5.2% in 1990, compared with a 4.9% increase in '89. Motor-fuel prices for RV owners, however, should just about keep pace with the general level of price increases and therefore should have no adverse effect on RVs.

The slow growth of the economy manifests itself, as ever, in the auto and housing markets. *(See Figure 3.)* Automakers are already in trouble and have responded with layoffs and closings. Total unit sales of automobiles for 1990 are anticipated to be 13% below 1989 levels, while housing starts are expected to decline by more than 8%.

Perhaps the best news in this forecast is that the growth of unit-labor costs should decline in 1990. This will help lessen future inflationary pressures and help make American products more competitive both at home and abroad.

In sum, there is *no recession* in this 1990 forecast by our model, but we need to look elsewhere than the economy for fast-paced activity. The RV industry is expected to improve in 1990 because, in general, interest rates are not likely to be as high as in 1989.

With moderating inflation, the prospects for 1991 do look brighter than they did a few months ago, but we will have to get further into 1990 before an early reading on '91 can be given. Δ

This forecast is a product of the Center for Econometric Model Research at Indiana University, R. Jeffery Green, director. The RV industry forecast was generated by Vinay Kansal; the verbal interpretation of these data, however, is the sole responsibility of the author. TL Enterprises Inc. is one of several private firms which support the Center and its quarterly forecasting activities.